

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 685 (Delegate Dembrow. *et al.*)

Appropriations

Education - School Renovation - State Payments

This bill requires the State to pay a portion of the maximum State construction allocation of contract costs for renovating, modernizing, altering, or remodeling an existing school building that has been occupied for at least 16 years. The State cannot pay any such costs at an existing school that has been occupied for 15 years or less. The following table shows the cost sharing arrangement as specified under this bill.

Building's Age	Under 16 years	16 to 25 years	26 to 40 years	Over 40 years
State Share	0%	50%	75%	100%

This bill takes effect July 1, 1999.

Fiscal Summary

State Effect: State expenditures for public school construction projects would decrease by an indeterminate amount. State revenues would not be affected.

Local Effect: Significant impact on local school expenditures and State assistance under the Public School Construction Program.

Small Business Effect: None.

Fiscal Analysis

State Effect: The State provides funds for school construction and renovation through the Public School Construction Program. This bill establishes a new method of State payments for school construction projects by basing the State payment on a percentage of the maximum State construction allocation. This would result in a reduction in State support for school construction projects.

Under current regulations, the Interagency Committee on School Construction applies a specified percentage to the average building cost per square foot and uses the State/local cost sharing formula in establishing the maximum State allocation. The State share of a school system’s eligible construction costs relates to the wealth of the county, ranging from 50% in affluent counties to 80% in the poorest counties. The following table shows the specified percentages for renovation projects. The rationale for the specified percentages is that a typical renovation project will not result in the same costs as a new project.

Building’s Age	Under 16 years	16 to 25 years	26 to 40 years	Over 40 years
State Share	0%	50%	60%	85%

For example, assume Montgomery County renovates an existing 70,000 square foot school building constructed in 1960. Based on current specified percentages for renovation projects and the current State/local cost sharing formula, the maximum State construction allocation would total around \$2.1 million. This is based on the following:

- \$100 per square foot to construct a new school building;
- 60% of the total replacement costs are eligible for funding;
- 50% of eligible renovation costs in Montgomery County are covered by the State; and
- the State pays for 100% of the maximum State construction allocation.

Pursuant to this bill, the State will pay for only \$1.6 million or 75% of the maximum State construction allocation. Accordingly, Montgomery County would receive \$500,000 less in State school construction funding for this project.

Local Effect: Local boards of education could receive less funding for school construction

projects. Accordingly, local school expenditures would increase assuming no change in the number of school-related renovation projects.

Information Source(s): Interagency Committee on Public School Construction,
Department of Legislative Services

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lnc/jr

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